

Wholesale Trade

(SIC 50, 51)

SIGNIFICANT POINTS

- Most workplaces are small, employing fewer than 10 workers.
- Seven out of 10 workers are in clerical, sales, or operator and laborer occupations.
- The industry is becoming increasingly automated and will require a technically trained workforce.

Nature of the Industry

When consumers purchase goods, they usually buy them from a retail establishment such as a supermarket, department store, gas station, or hardware store. When businesses, governments, or institutions—such as universities or hospitals—need to purchase equipment, office supplies, goods for resale, or any other items, they normally buy them from wholesale trade establishments.

Wholesale trade firms are essential to the economy. They buy large lots of goods, usually from manufacturers, and sell them in smaller quantities to businesses, governments, other wholesalers, or institutional customers. They make the transfer of goods efficient by acting as intermediaries in the process of bringing goods from the manufacturer to the final customer. In so doing, they fill three vital roles in the economy: They provide businesses a nearby source of goods made by many different manufacturers; they provide manufacturers with a manageable number of customers, while allowing their products to reach a large number of users; and they allow manufacturers, businesses, institutions, and governments to devote minimal time and resources to transactions.

There are three types of wholesale trade firms. *Merchant wholesalers*, more commonly known as wholesaler-distributors, purchase goods from manufacturers in large quantities, store them, and then sell them to retailers, manufacturers, other wholesalers, or other customers. They are by far the most common type of wholesaling business, comprising over 90 percent of the firms in the industry.

Sales branch offices of manufacturing operations are local offices of manufacturers. They market their companies' products and coordinate distribution directly from the producer to the buyer. Often, they do not handle stock during a sale.

Wholesale brokers, or *agents*, coordinate the sale of goods from one party to another—usually from manufacturers to retailers. They seldom take title or handle goods in the process.

Only firms that sell most of their wares to businesses, institutions, and governments are considered part of wholesale trade. As a marketing ploy, many retailers that sell mostly to the general public present themselves as wholesalers. For example, "wholesale" price clubs, factory outlets, and other organizations are retail establishments, even though they sell their goods to the public at "wholesale" prices.

The size and scope of firms in the wholesale trade industry vary greatly. They sell any and every type of goods for many purposes. Customers buy goods to use in making other products,

such as a bicycle manufacturer that purchases steel tubing, wire cables, and paint; for use in the course of daily operations, such as a government agency that buys office furniture, paper clips, or computers; or for resale to the public, such as a department store that purchases socks, flatware, or televisions. Wholesalers may offer only a few items for sale, perhaps all made by one manufacturer, or they may offer thousands of items produced by hundreds of different manufacturers. Wholesalers may only sell a narrow range of goods, such as very specialized machine tools, or a broad range of goods, such as all the supplies necessary to open a new store, including shelving, light fixtures, wall paper, floor coverings, signs, cash registers, accounting ledgers, and perhaps even some merchandise for resale.

Besides selling and moving goods to their customers, wholesaler-distributors have now begun to provide other services to clients, such as extending credit or providing financing; providing marketing services, like advertising and promotion; and, perhaps most importantly, offering technical or logistical advice and installation and repair services. After customers buy equipment, such as cash registers, copiers, computer workstations, or various types of industrial machinery, assistance is often needed to integrate the products into the customers' workplace. Wholesale trade firms often employ workers who visit customers, install or repair equipment, train users, troubleshoot problems, or advise on how to use the equipment most efficiently.

Working Conditions

Working conditions and physical demands of wholesale trade jobs vary greatly. Moving stock and heavy equipment can be strenuous; but freight, stock, and material handlers may be aided by forklifts in large warehouses. Workers in some automated warehouses use computer-controlled storage and retrieval systems that further reduce labor requirements. Employees in refrigerated meat warehouses work in a cold environment, and those in chemical warehouses often wear protective clothing to avoid harm from toxic chemicals. Outside sales workers are away from the office for much of the work day, and may spend a considerable amount of time traveling. Alternatively, most management, administrative support, and marketing staff work in offices.

Overall, work in wholesale trade is relatively safe. In 1997, there were 6.5 work-related injuries or illnesses per 100 full-time workers, less than the 7.1 incidence rate for the entire private sector. Not all wholesale trade sectors are equally safe, however. Occupational injury and illness rates were consid-

erably higher than the national average for wholesale trade workers who dealt with lumber and construction materials (10.7 per 100 workers); metals and minerals (12.6); groceries (10.6); and beer, wine, and distilled beverages (12.5).

Most workers put in long shifts, particularly during peak times, and others, such as produce wholesalers, work unusual hours. These workers must be on the job early in the morning to receive shipments of vegetables and fruits, and they must be ready to deliver goods to local grocers at dawn.

Employment

Wholesale trade accounted for about 6.8 million wage and salary jobs in 1998, about 5 percent of all jobs in the economy. Firms that employed 10 or more workers provided about 83 percent of the jobs in wholesale trade; nevertheless, roughly 7 out of 10 establishments in the industry are small, employing fewer than 10 workers (chart). Although some large firms employ many workers, when compared to other industries, wholesale trade is characterized by a large number of relatively small establishments. Wholesale trade workers are spread fairly evenly throughout the country, have relatively low union membership, and are more likely to work full-time than workers in most other industries.

Occupations in the Industry

Many occupations are involved in wholesale trade, but not all are employed in every type of wholesale trade firm. For example, manufacturers' sales branch offices do not employ *wholesale buyers*, because they do not purchase goods for resale; and brokers employ few *stock clerks* or *truckdrivers*, because they keep little stock. Merchant wholesalers—by far the largest part of the industry—employ workers in most of the occupations that appear in table 1.

The activities of merchant wholesaling firms commonly center on storing, selling, and transporting goods. As a result, the three largest occupational groups in the industry are *administrative support* workers, many of whom work in inventory management; *sales* and *marketing* workers; and *operators, fabricators, and laborers*, most of whom are truckdrivers and material movers. In 1998, more than 7 out of 10 wholesale trade workers were concentrated in these three groups.

Most administrative support workers need to have at least a high school degree, and some related experience or additional schooling is an asset. Like most industries, many *secretaries* and *accounting, bookkeeping, and general office clerks* are employed in wholesale trade. Most other administrative support workers are needed to control inventory. *Shipping* and *receiving clerks* check the contents of all shipments, verifying condition, quantity, and sometimes, shipping costs. They may use computer terminals or bar code scanners and in small firms may pack and unpack goods. *Order fillers* or *order clerks* handle order requests from customers or from the firm's regional branch offices in the case of a large, decentralized wholesaler. These workers take phone orders, check the goods, and route them on to the warehouse for packing and shipment. Often, they must be able to answer customer inquiries about products and monitor inventory levels or record sales for the accounting department. *Stock clerks* code or price goods and store them in the appropriate warehouse sections. They also retrieve from stock the appropriate type and quantity of goods ordered by customers. In some cases, they may also perform tasks similar to shipping and receiving clerks.

Like administrative support workers, many marketing and sales workers need no postsecondary training; but many employers seek applicants with prior sales experience. Generally, workers in marketing and sales occupations try to interest customers and assist them in purchasing a wholesale firm's goods. There are three primary types of sales people in wholesale firms, and their duties vary considerably.

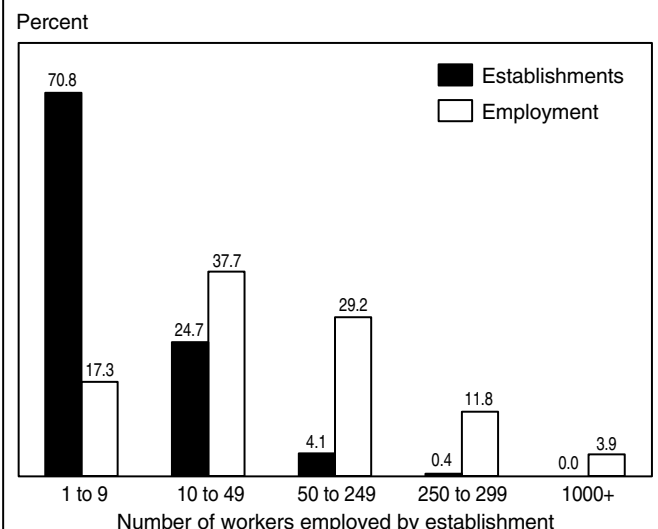
Counter sales workers wait on customers who come to the firm to make a purchase. These workers must be knowledgeable about product lines and able to use computer terminals to check on the availability of particular goods in inventory.

Inside sales workers usually are more experienced and more knowledgeable about specific products, prices, and the lead times required for delivery. Like order clerks, they take phone orders but may also solicit new business over the phone.

Outside sales workers, also called *wholesale sales representatives*, are the most skilled workers and the largest single occupation in wholesale trade. They travel to customers' places of business—whether manufacturers, retailers, or institutions—to maintain current customers or to secure new ones. They make presentations to buyers and management or may demonstrate items to production supervisors. Sales representatives must be very knowledgeable about product operation, prices, maintenance needs, and capabilities and must be thoroughly familiar with customers' needs and business goals, to suggest how customers can use products to their greatest advantage. For example, sometimes sales representatives advise manufacturers on how to use a new piece of equipment to make production more efficient or may train workers to use the equipment. In the case of complex equipment, sales representatives may need a great deal of highly technical knowledge. For this reason, some outside sales workers need to have postsecondary technical education, prior to starting work; some even have engineering degrees.

Sales managers monitor and coordinate the work of the sales staff and often do outside sales work themselves. In small firms, owners and top executives may engage in some selling activity.

About 7 out of 10 wholesale trade establishments are small, employing fewer than 10 workers



Source: U.S. Department of Commerce, *County Business Patterns*, 1997

Operators, fabricators, and laborers move stock around the warehouse, pack and load goods for shipment, and transport goods to buyers. *Freight and material movers* manually move goods to or from storage and help load delivery trucks. *Hand packers* and *packagers* also prepare items for shipment.

Industrial truck and tractor operators use forklifts and tractors with trailers to transport goods within the warehouse, to outdoor storage facilities, or to trucks for loading. *Truckdrivers* transport goods between the wholesaler and the purchaser or between distant warehouses. Drivers of medium and heavy trucks need a State Commercial Driver's License (CDL).

Drivers/sales workers deliver goods to customers, unload goods, set up retail displays, and take orders for future deliveries. They are responsible for maintaining customer confidence and keeping clients well-stocked. Sometimes these workers visit prospective clients, in hopes of generating new business.

Executive and managerial workers direct the operations of firms and include *general managers* and *top executives*, as well as *middle managers*, who supervise workers and ensure that operations meet standards and goals set by top management. Managers also often have some sales responsibilities and may have ownership interest in smaller firms.

Two large management support occupations are *wholesale buyers* and *purchasing managers*. Wholesale buyers purchase goods from manufacturers for resale, based on price and what they think customers want. Purchasing managers coordinate the activities of buyers and determine what types and quantities of goods to purchase.

Mechanics, installers, and repairers set up, service, and repair equipment sold by wholesalers. For these jobs, firms usually hire workers with maintenance and repair experience or mechanically inclined individuals who can be trained on the job. Supervising warehouse workers—such as clerks, material movers, and truckdrivers—and seeing that standards of efficiency are maintained is the work of *blue-collar worker supervisors*.

Electronics technicians and *technologists* set up and adjust complex equipment, such as electronic automated guided vehicles, which automatically transport goods throughout a warehouse. These workers often have formal technical training, such as a 2-year associate degree.

Training and Advancement

Although some workers need a college degree, most jobs in wholesale trade can be entered without education beyond high school. New workers usually receive training after they begin work—for instance, in operation of inventory management databases, on-line purchasing systems, or electronic data interchange systems. Technological advances and market forces are rapidly altering this industry. Even workers in small firms need to keep informed about new selling techniques, management methodologies, and information systems. In addition, these technological advances affect the necessary skill requirements for occupations across the entire industry—from warehouse workers to truckdrivers to those in management. As a result, numerous firms devote significant resources to worker training.

Currently, many firms offer on the job training. However, as providing training is becoming more costly and complex, the industry is increasingly using third party training organizations and trade associations to reduce this burden. For productivity reasons, many companies make their employees responsible for more than one function and cross-train them by familiarizing them with many aspects of the company.

Table 1. Wage and salary employment in wholesale trade by occupation, 1998 and projected change, 1998-2008

(Employment in thousands)

Occupation	1998		1998-2008 Percent change
	Number	Percent	
All occupations	6,831	100.0	7.3
Administrative support, including clerical	1,801	26.4	3.8
Stock clerks and order fillers	452	6.6	11.8
General office clerks	208	3.1	12.5
Shipping, receiving and traffic clerks	183	2.7	-3.5
Bookkeeping, accounting, and auditing clerks	181	2.7	-9.3
Secretaries	135	2.0	-11.2
Office and administrative support supervisors and managers	133	2.0	16.4
Order clerks	118	1.7	1.0
Adjusters, investigators, and collectors	74	1.1	21.4
Marketing and sales	1,602	23.5	4.4
All other sales and related workers	959	14.0	2.2
Marketing and sales worker supervisors	226	3.3	11.5
Retail salespersons	206	3.0	8.7
Parts salespersons	123	1.8	-2.4
Operators, fabricators, and laborers	1,407	20.6	11.6
Truck drivers, light and heavy	479	7.0	23.6
Freight, stock, and material movers, hand	214	3.1	-5.6
Hand workers, including assemblers and fabricators	162	2.4	13.4
Drivers/sales workers	111	1.6	2.3
Machine setters, set-up operators, operators, and tenders	110	1.6	15.8
Hand packers and packagers	77	1.1	-9.0
Industrial truck and tractor operators	66	1.0	14.9
Executive, administrative, and managerial	843	12.3	7.0
General managers and top executives	395	5.8	8.2
Buyers and purchasing agents	77	1.1	3.1
Purchasing managers	50	0.7	1.3
Precision production, craft, and repair	664	9.7	7.6
Vehicle and mobile equipment mechanics and repairers	146	2.1	3.5
Blue-collar worker supervisors ...	135	2.0	11.0
Machinery mechanics, installers, and repairers	84	1.2	-4.2
Other mechanics, installers, and repairers	74	1.1	13.5
Professional specialty	199	2.9	30.3
Computer systems analysts, engineers, and scientists	74	1.1	55.7
Technicians and related support	145	2.1	8.1
Agricultural, forestry, fishing, and related	95	1.4	15.2
Service	76	1.1	-1.8

Wholesale trade has historically offered good advancement opportunities from the lowest skilled jobs up through management positions. For example, unskilled workers can start in the warehouse or stock room. After they become familiar with the products and procedures of the firm, workers may be promoted to counter sales or even to inside sales positions. Others may be trained to install, service, and repair the products sold by the firm. Eventually, workers may advance to outside sales positions or to managerial positions. Wholesale trade firms often emphasize promotion from within, especially in the numerous small businesses in the industry. Even in some of the largest firms, it is not uncommon to find top executives who began as part-time warehouse help.

As the wholesale trade industry changes in the coming years, advancement opportunities could become more limited. Market forces, new technologies, and changing management techniques are placing increasing demands on managers, so it will become more difficult to promote less-educated workers from within. Currently, several large firms in this industry have formal management training programs that train college graduates for management positions; and the number of these programs will probably grow. There are also a growing number of university programs providing students with both business and technical training.

In addition to advancement opportunities within a firm, there are also opportunities for self-employment. For example, because brokers match buyers with sellers and never actually own goods, those with the proper connections can establish wholesale brokerage businesses with only a small investment—perhaps working out of their home. Moreover, establishing a merchant wholesaling business can be easier than establishing many other kinds of businesses. Wholesalers who get exclusive distribution rights to popular items can become profitable quickly; although merchant wholesaling firms usually require a substantial investment, obtaining rights to a successful product can be the foundation of a successful new business.

Earnings

Nonsupervisory wage and salary workers in wholesale trade averaged \$538 a week in 1998, higher than the average of \$442 a week for the entire workforce. Earnings varied greatly between wholesale trade sectors. For example, in the sector with the highest earnings—professional and commercial equipment—workers averaged \$687 a week; but in the sector with the lowest earnings—farm-product raw materials—workers made \$342 a week. Earnings in selected occupations in wholesale trade appear in table 2.

Part of the earnings of some workers is based on performance, especially for outside sales workers who frequently receive commissions on their sales. Although many sales workers receive a base salary in addition to commission, some receive compensation based solely on sales revenue. Performance-based compensation may become more common among other occupations, as wholesaling firms attempt to offer more competitive compensation packages.

Like earnings, benefits vary widely from firm to firm. Some small firms offer few benefits. Benefits in larger firms include life insurance, partially or fully paid health insurance, and a pension. Other benefits may include profit sharing, savings or investment plans, and fully or partially paid dental insurance.

Less than 7 percent of workers in the wholesale trade industry are union members or are represented by unions, compared to 15 percent of the entire workforce.

Table 2. Median hourly earnings of the largest occupations in wholesale trade, 1997

Occupation	Wholesale trade-durable goods	Wholesale trade-nondurable goods	All industries
General managers and top executives	\$31.68	\$29.79	\$26.05
First-line supervisors and managers/ supervisors-sales and related workers	24.74	18.28	13.43
Sales representatives, scientific and related products and services, except retail	20.07	19.26	20.07
Sales representatives, except retail and scientific and related products and services	17.19	16.01	16.54
Truck drivers, heavy or tractor-trailer	11.72	12.80	13.08
Salespersons, retail	11.58	9.57	7.23
Salespersons, parts	11.25	—	10.41
General office clerks	9.30	9.00	9.10
Order fillers, wholesale and retail sales	9.21	9.03	8.82
Truck drivers, light, including delivery and route workers	8.53	10.06	9.38

Outlook

Wage and salary jobs in wholesale trade are projected to grow about 7 percent through the year 2008, slower than the 15 percent rate of growth projected for all industries combined. Industry trends will change the composition and nature of much wholesale trade employment. Consolidation of the industry into larger firms and the spread of new technology should slow growth in some occupations. However, many new jobs will be created in other fields, as firms provide a growing array of support services. In addition, these trends will change the roles of many other workers.

Heightened competition and pressure to lower operating costs should continue to force distributors to merge with, or acquire, other firms. The resulting consolidation of wholesale trade among fewer, larger firms will reduce demands for some workers, as merged companies eliminate duplicated staff.

Consolidation and greater competition among wholesale trade firms will lead more firms to expand their customer services, increasing demands for related workers. Adjustment clerks and sales workers will advance to many of these new customer service and marketing jobs. New workers with the necessary education and training may be needed for financial, logistical, technical, or advertising positions.

Wholesale trade will undoubtedly feel the effects of electronic commerce and new technology. Few jobs will be left untouched by technological innovations, and demand for some occupations will decline considerably, as computer systems dramatically improve worker productivity. The two largest occupational groups in wholesale trade, administrative support and marketing and sales occupations, will be the most affected.

Employment in administrative support occupations will grow more slowly than most other wholesale trade occupations. Advanced computer systems will enable much of the record-keeping, ordering, and processing in wholesaling to be automated. Use of computerized labels with bar codes will allow stock clerks with scanners to immediately record locations, quantities, and types of goods in a computerized inventory management system. Customers frequently order goods electronically through the Internet, extranets, or other special systems, or go to wholesalers' warehouses and place orders on computerized purchasing systems. Increasingly, bills are paid through electronic funds transfers. Therefore, fewer bookkeeping, accounting, and auditing clerks will be needed, as fewer paper transactions are conducted. Despite this new technology, some administrative support workers will still be needed to oversee the process and make adjustments when problems occur. These workers will need to be proficient with new computerized systems, and their jobs will be very different from those of today's clerks.

The work of sales workers will also change, both as the selling process becomes more automated and as customer service becomes more important. As customers increasingly purchase goods electronically, more of the selling will fall upon inside sales workers. They will field calls, track customers' inventory needs using on-line computer systems, solicit new business by phone or the Internet, and assist buyers with computerized purchases. However, more of outside sales workers' responsibilities will be complex customer service work. They will still visit customers to solicit new business and maintain good relations, to aid with installation and maintenance, and to advise on the most efficient use of purchases. Although the duties of sales

workers will change, their importance will not. Increasingly, they will tailor inventory and distribution systems to individual customer's needs.

Sources of additional information

For information about job opportunities in wholesale trade, contact local firms.

For a list of colleges and universities with industrial distribution programs, contact:

- Industrial Distribution Association, 3 Corporate Square, Suite 201, Atlanta, GA 30329.
Internet: <http://www.ida-assoc.org>

For information on food industry trends contact:

- Food Distributors International, 201 Park Washington Ct., Falls Church, VA 22046. Internet: <http://www.fdi.org>

Information on careers in the wholesale trade industry is available from:

- Retail, Wholesale, and Department Store Union, 30 East 29th St., 4th floor, New York, NY 10016.

Information on many of the key occupations in wholesale trade may be found in the 2000-01 *Occupational Outlook Handbook*:

- Bookkeeping, accounting, and auditing clerks
- Computer, automated teller, and office machine repairers
- Farm equipment mechanics
- Manufacturers' and wholesale sales representatives
- Order clerks
- Purchasing managers, buyers, and purchasing agents
- Shipping, receiving, and traffic clerks
- Stock clerks
- Truckdrivers